



Final Report  
Participatory Rural Energy Services in  
Karnataka (PRESK)

## Strategy for Setting Up Independent Business Establishments at GP Level for Energy Services

January 2004

Prepared by



Contract No. 386-C-00-03-00135-00

Prepared for

**USAID SARI/Energy Program**  
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## **Acknowledgments**

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Mr. Krishna Mohan is a graduate in Mechanical Engineering from the University of Mysore and has over 28 years experience in Project Management. He has undertaken several projects for national and international organizations. He is also a certified Lead auditor for ISO certification of organizations.

## List of Acronyms

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BESCOM	Bangalore Electricity Supply Company
BJ/KJ	Bhagyajyothi/Kutirjyothi connections
CEO	Chief Executive Officer
EO	Executive officer
ESCOMs	Electricity Supply Companies
GOK	Government of Karnataka
GP	Gram Panchayat
HR	Human Relations
HQ	Head Quarters
ISO	International Standards Organization
KEB	Karnataka Electricity Board
KUWSDB	Karnataka Urban Water Supply Development Board
MIS	Management Information System
PRESK	Participatory Rural Energy Services of Karnataka
QMS	Quality Management System
RDPR Rural	Development and Panchayat Raj
TP	Taluk Panchayat
TQM	Total Quality Management
ZP	Zilla Panchayat (District Panchayat)

## Preamble

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As a means to empower the rural self governing agencies, namely the Gram Panchayats, The Government of Karnataka intends to vest them with profit generating activities. Some of these activities were traditionally handled by regular Government Departments earlier.

One activity contemplated to be handed over to the GP is management of electric power supply within its area of control. It is expected to be rural consumer focused, and managed by the consumers themselves. Presently the power supply to rural areas is being managed by the Electric Supply Companies, formed out of the erstwhile monolith the Govt. owned KEB.

Another activity engaging the attention of the policy makers and executives of the Government is the issue of managing ground water resources. Presently there is no control over exploitation of ground water by individual farmers from bore wells drilled on their own lands. However, power required to run the irrigation pump sets is an issue which brings in the matter of Water – Power nexus.

As a first step it is intended to take up management of power at the GP level in four Taluks. An appropriate organization within the ambit of GPs is to be set up for this purpose. A user friendly Operation Manual shall be developed on the lines of a Quality Manual as recommended by the International Standard ISO 9001:2000. This manual is intended to guide the organization to manage the power scenario as well as assist the GPs to maintain control effectively.

- The first chapter is the initial reactions to adopt a strategy of introducing quality management principles to certain functions of Gram Panchayats as an effort to empower the grass root organizations. An attempt is made to identify the areas which can be brought under the ambit of systematic documentation. A list of activities envisaged along with interactions and contributions required from other interested parties to this program has also been given. It is intended to serve as a guideline to the efforts in developing a ‘Quality Manual’ for the activities of GPs.
- The second chapter is prepared after interaction with many people; belonging to the GPs- both the elected representatives and Government officers, some officials of the Department of RDPR, Govt. of Karnataka and of BESCOM. The Karnataka Panchayat Raj Act was also referred extensively. The ground realities and their effect on the program have been brought out. The two outstanding issues of concern are a) The Act does not as yet permit GPs to takeover the management of Power Distribution in rural areas including power to irrigation pump sets on privately owned farm lands, b) Ground water exploited for irrigation by individual farmers from their own bore wells was not controlled by any agency. A series of activities required to be carried out to evolve a modus operandi and develop an effective operation manual has been presented in this chapter.

- The third chapter is a study of some other organization models can be adopted to manage the ‘utilities supply’ in the rural areas in the absence of sanction for GPs to take on the responsibilities in their existing framework.
- Among the alternatives looked into a Co-Operative institution model emerges as a frontline contender. The fourth chapter deals with the Co-Operative model in greater depth.

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## Executive Summary

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This report takes a look at the existing situation at the GP level in managing the power and ground water by the concerned GPs themselves. It is expected that with appropriate guidance the GPs should be able to manage these issues efficiently. It is proposed to prepare an operations manual similar to the Quality Manual under the international Standards ISO 9001:2000. It is expected to start with management of power. It is expected to include ground water management in the manual at a later date.

The GPs, being products of the State Panchayat Raj Act, have certain limitations in taking over a patently commercial operation. Therefore a study of some of the other organization models has been made to enable the GPs to manage the functions of power management.

While there are many organization models to choose from, a Co-Operative by the concerned power consumers of a particular GP area appears to be the better alternative yet. The fourth chapter deals with this issue in greater detail.

However, it may be worthwhile to try out different models in different GPs and select the most appropriate model for each GP. It has to be an open minded learning experience for all concerned.



1. Decentralization of management of bulk utilities like Electricity and Water in villages and Rural Empowerment to enable the grass root organizations such as Gram Panchayats to manage these in a responsible and responsive manner are issues which are being addressed to by the Government of Karnataka.
2. Pioneering work is being done to empower the Gram Panchayats (GP) to manage the power distribution, revenue billing & collection, and customer interaction. The Gram Panchayats are being groomed to be an effective bridge between the Electricity Supply Companies and the rural consumer.
3. Water is another resource whose total management can be taken over by the respective GPs. Management of Primary Health care activities, Watershed development, Etc, are also some of the activities which can be effectively delegated to the G Ps.
4. This will usher in the true spirit of self management, the customer communes being responsible to all the aspects of managing the functions. The major utility organizations such as the ESCOMS, The Irrigation Department, and the like would be free to devote their energies on macro level problems solving.
5. BESCOM has already launched the program of 'Participation in Rural Electricity Services of Karnataka' with active involvement of Nexant.
6. Four Taluk Panchayats (TP) have been selected for 'Participation in Rural Electricity Services of Karnataka' program. They are:
  - a) Doddaballapur TP comprising of 29 Village Panchayats (VPs),
  - b) Gubbi TP comprising of 33 Village Panchayats,
  - c) Chintamani TP comprising of 34 Village Panchayats, and
  - d) Molakalmooru TP comprising of 16 Village Panchayats.
7. Therefore this is an opportune time to introduce the concepts of Quality Management System and TQM to the members of the target GPs. The work would be identical to installing a quality management system as per the requirements of ISO 9001:2000 standards.
8. Primary inputs for this program shall flow from the 'Participation in Rural Electricity Services of Karnataka' program being conducted by the Govt. of Karnataka, BESCOM and Nexant.
9. The aim is to develop a user friendly Procedure Manual based on the guidelines of the International Standards ISO 9001:2000. The manual should help the members of the GPs understand their roles and responsibilities, as well as provide operational guidelines to discharge their duties. The manual, developed on the lines of a Quality Systems Manual as per the requirements of ISO 9001:2000, is expected to help the GPs usher in professionalism, transparency and customer focus in the functions being managed.
10. Eventually this effort should pave the way to enable and empower the Gram Panchayats to manage by themselves all the functions that have a bearing on their life effectively and efficiently. That would usher in the principles of Local Self Government and Rural Empowerment in its totality.

In the following pages the activities needed in Adopting Quality Management System to ISO 9000 Standards to Rural Empowerment Programs has been listed.

### **The Activities**

#### **1. Make a list of the functions that can be handed over to the Gram Panchayats.**

- Interact with the designated representatives of the Government Departments, the Utility organizations.
- List about six functions which can be handed over to the Gram Panchayats as a part of Rural Empowerment in the first run and obtain approval.
- This list could include the transfer of responsibility to manage electric power and water, (distribution, metering and collection of revenue and minor routine maintenance), and possibly some aspects of primary health, primary education, sanitation and allied activities.

#### **2. Collect the latest copies of Department Manual or any other guidance documents from BESCO, KUWSDB and departments like Health, Education, Etc. pertaining to the list of approved functions.**

- Extract guide lines, procedures and related forms and formats relevant to the list of activities selected as at 1 above.
- This shall form the starting point for the making of the Quality System Procedures Manual for the GPs.

#### **3. Specify the operational limits of the GPs.**

- In terms of budgetary limits or any other approved yard sticks, for each of the approved function.
- Specify the qualification, skill and experience levels of the personnel (competency parameters) who shall manage the technical aspects of functions to be managed by the GPs. Every parameter shall be clearly spelt out.
- Facilitate the Gram Panchayats to select the first batch of pioneers who will actually implement the quality management practices in their respective areas.
- Discuss with officials of the utility organizations and Government Departments.

#### **4. Design and write a Quality System Procedures Manual to cover the functions being handed over to the Village Panchayats.**

- Draft this document to meet the requirements of the International Standards ISO 9000:2000. ISO 9000:2000 provides guidelines for organizations installing a quality management system, but not going for certification.
- For practical convenience prepare the draft the manual in English as well as Kannada.
- Discuss the draft manual with a selected group of members of the target GPs to instill a sense of contribution and ownership among the end users (with regard to the Manual).
- Discuss the draft manual with the designated officers of the utility organizations and Govt. Departments.
- Assist the TPs to formulate an appropriate “Customers’ Charter” (equivalent to declaration of ‘Quality Policy’).
- Prepare an Action Plan to ensure the continuity of this program.
- The Executive Officers of the four Taluk Panchayats shall be the custodians of the respective Manuals.
- During the change periods like the change of designated personnel of the GPs, the concerned controlled copy of the Manual shall be retrieved and maintained by the EO of the concerned TP and reissued to the new incumbents.

- Put in place a mechanism to ensure periodic review and / revision of the Quality Manuals to be truly dynamic documents reflecting the knowledge and experience gathered over a period of time.
- Reports from each of the GPs shall be consolidated by the EO of the respective TPs, reviewed by the CEO of the concerned ZP, and concerned officials of the Govt. Department.
- Recommended revision shall be incorporated in the Manual by the concerned EO of the TP. Controlled copies of the revised manual shall be distributed to the user GPs.

#### **5. Review of the draft manual In-depth, and prepare the final draft for approval.**

- The manual has to be a user friendly document, keeping in mind the diverse groups of the members of the GPs who will be using it.
- Review the draft manual to ensure completeness (addressing all the functions to be managed) and adequacy (in meeting the requirements of the International Standard ISO 9000:2000).
- Design and include appropriate Forms and Formats to meet the requirement of Document Control and Quality Records of the standard ISO 9000:2000.
- Incorporate the suggestions and other inputs received and prepare the final draft.

#### **6. Prepare, obtain approval and issue the Quality Systems Procedures Manual.**

- To meet the requirements of Document Control, it is envisaged to nominate the Executive Officer of each Taluk Panchayats as the 'Designated Authority' to Approve and Issue the Manual for use in the GPs under their jurisdiction.
- Each of the TPs shall have its own exclusive Manual.

#### **7. Print and distribute Controlled Copies of the approved manuals to the respective Gram Panchayats.**

- This activity should preferably be carried out by the EO of the TP concerned.
- If necessary Nexant may assist the EOs.
- Distribution Controlled copies have to be managed as directed in the ISO 9000:2000 standard, under Document Control (specified in the Manual).

#### **8. Conduct facilitation Workshops in each of the Taluk Panchayats.**

- Introduce the selected members of the target GPs (participants) to the concepts of Quality System management, The ISO 9000 family of QMS standards, Total Quality Management.
- Familiarize the participants with their Quality System Procedures Manual.
- Impart the knowledge and skills to the participants to carry out their assigned functions as documented in the Approved Quality Management System Manual.
- Train the participants to be the 'effective bridge' between the utility supply majors, the Govt. Department hierarchy and the rural consumers.
- Emphasize the 'Customer Satisfaction' aspect of the ISO 9000:2000 standards.
- Train the participants to carry out the documentation activities, maintain the specified quality records, and be the efficient channel for the flow of information.

## **9. Implement a System Monitoring Mechanism**

- Establish an open and functional need based communication channel between the GPs, the TPs, the ZPs, the Service organizations and the Govt. Departments.
- This will help in monitoring the efficacy and efficiency of the quality system management practices being adopted and practiced by the GPs.
- It shall be equivalent to the ‘Internal Quality System Audits’ under the ISO 9000 standards.
- These interactions will also serve as “Management Reviews” at the higher end of the Panchayat System hierarchy.

- The first chapter highlighted some of the issues connected with the preparation of a manual for use by the members of GPs in managing their functions. One of the possible solutions suggested was amendments to the Panchayat Raj Act of Karnataka. This was done with a view that there will be a quantum change in the scope of activities of the GPs, which are products of the act. If the enlarged scope of activities of the GPs have the power of formal approval of the act. It would make the program acceptable to all.
- On discussion with the RDPR officials concerned, however, it is learnt that revision / amendments to the Act may not be possible, especially at short notice.
- Therefore it has been decided to evolve a middle path using provisions of the Electricity Act, and the general freedom available to GPs to enter into contract with BESCO.
- The GPs shall buy power from BESCO for distribution to customers in its area. The GPs shall also carry out billing and revenue collection, and act as a customer service bridge between BESCO and the customer.
- It should be possible to reach a stage of 'demonstratable progress' in a few of the target GPs by November, 2003 dead line.

In this endeavor of empowering the GPs to take on the new responsibilities Nexant has to take the lead. This approach has inbuilt advantages, the most important being that the concept is propagated by an international agency. A single agency taking on the total responsibility is definitely superior to many trying in many different ways. Various agencies like BESCO, the RDPR Dept., the Depts. of Energy, Mines and Geology, Agriculture, are trying out different approaches, well meaning but not concerted, is reason enough for this.

The task of imparting of management skills to the members of GPs to successfully manage the Power – Water Nexus shall be spearheaded by Nexant. The officials of the RDPR Dept, BESCO and other agencies like Dept. of Mines And Geology, Energy, etc. shall be appropriately involved

The sheer logistics of this assignment, viz., Management Audit of the GPs managing the Power – Water Nexus, is complex and time consuming. It may not be possible to bring the assignment to a logical conclusion within the time available. But, it is definitely possible to establish and demonstrate that this approach will yield the desired results.

It is also to be kept in mind that some of the activities by other agencies like BESCO Etc. are expected to take time before the program is properly functional.

Among the various activities by the GPs under PRESK, the issue of managing the power has been subjected to a good amount of ground work. The same is perhaps not true of the issues such as managing the ground water (for irrigation), use of alternative energy sources, managing water available (as a result of Watershed development programs), managing the socially sensitive issues of the un-metered and / or unauthorized IP sets, BJ/KJ connections etc.

Therefore it is recommended that the initial efforts shall be directed to document procedures to manage ‘power related activities’ by the GPs. This should result in developing an ‘Operations Manual’ to manage the power distribution and related functions by the GPs.

The other issues such as resource management, ground water management, alternate energy – generation and use, etc. can be tackled in a phased manner based on the experience and confidence gained by the members of the GPs managing power.

Presented in the following pages is a sequence of activities to be undertaken by Nexant, the GPs, and others to enable implementation and application of effective management procedures by the GPs as required to manage Power.

### **A Step – By – Step Approach to Manage Distribution of Power**

#### ▪ **Activity 1: Formation of an exclusive team**

- The team shall consist elected representatives, the Govt. representative, consumers and perhaps some representatives from agencies like self help groups or involved NGOs.
- This has to be done in consultation with the RDPR Department.
- This team shall be a ‘**Registered Rural Power Society**’ to exclusively manage the purchase, distribution, billing and revenue collection activities for the concerned GP.

#### ▪ **Activity 2: Visits to similar establishments**

- It would be worthwhile for some selected members from Nexant, the RDPR Department, and the ‘Registered Rural Power Society’ to visit similar establishments elsewhere in the country to learn from similar, but already in operation, practices elsewhere.
- There has been some work done in the State of Orissa. The Haveri Co Operative in Karnataka has been in this field for quite some time.
- A delegation may also be sent to the neighboring Bangladesh to learn from their successful experience in managing the rural power scenario. This would be of help in identifying the modalities of setting up a formal ‘Registered Rural Power Society’, the technical and managerial inputs required, and to learn first hand the Customer relations management practices.

These visits will serve two purposes:

- 1 First hand learning,
- 2 Incentive to the participants.

#### ▪ **Activity 3: Identify and Authorize a ‘Signatory’**

- One or more persons of the ‘Society’ shall be identified to be the ‘authorized representative’ for transactions with others.

- **Activity 4: Define the area of operation.**
  - The area to be covered under the power purchase scheme has to be clearly defined.
  - This can be done with collaboration of the concerned officers of BESCO and a 'technical' member of the 'Registered Rural Power Society'.
  - All the concerned parties / agencies / Government Departments should be in agreement to the operational area thus defined.

- **Activity 5: Determining the power required**
  - Major consumers are the IP sets, most of which are un-metered, some metered but not read and many 'un authorized'.
  - The next high quantity consumers are the so called BJ/KJ connections which have been drawing more power than was permitted under the schemes.
  - Third category of consumer is the GP itself, using power for street lighting, drinking water supply, and other civic needs.
  - The GPs have a certain amount of documentation of the power consumers in their respective areas. But this is neither comprehensive nor complete.
  - BESCOM has a better picture of the demand on the 'feeder loop'. This data is available in two forms; 1 as computed from 'authorized' connections, 2 as the consumed Load on the net work or the feeder loop computed from the metering or the installed capacities of transformers in the feeder loop.
  - Therefore, it is of immediate urgency to conduct a census of all the existing consumers being served from the identified feeder loop.
- **Activity 6: Census of the power consumers**
  - This is rather a sensitive issue.
  - But, going by the various reports and the responses to the four PRESK Workshops, it would not be a difficult task if handled in a professional manner and with sensitivity.
  - It is recommended to take up this task immediately, parallel to the formation of the 'Registered Rural Power Society'.
  - An NGO or similar socially responsive organizations actually working in the GP area could also be roped in for this census work to assist the 'Registered Rural Power Society'.



- **Activity 7: Review the existing power supply system**
  - The power supply system within the area covered by the ‘feeder loop’ shall be technically reviewed for completeness and adequacy to meet the demand established.
  - This review shall cover all aspects of the power supply hard wares such as transformers, conductors, connections to consumers, strength, alignment and spacing of poles etc.
  - Attention shall be given to evolve a system which deters power theft, especially in the vast areas serving the IP sets.
  - Repair, replacement and Upgradation of the components of the distribution loop shall be undertaken as necessary.
  - This activity is the responsibility of BESCOM.
- **Activity 8: Installation of power meters for all IP set users**
  - BESCOM shall design and install tamperproof metering boxes for all the IP set consumers.
  - Suitable metering points on the ‘feeder loop’ shall also be installed to monitor consumption in the sub-loops and determine the ‘losses’.
  - This activity is the responsibility of BESCOM.
- **Activity 9: Conversion of BJ/KJ connections.**
  - The BJ/KJ connections, which now have more than one connection, shall be converted to the regular billed category.
  - Census of BJ/KJ connections shall provide the necessary data for this work.

Historically certain distortions have crept into the issue of ‘meters for the BJ/KJ connections. This needs to be overcome with the involvement of the members of the ‘Registered Rural Power Society’. There is favorable response to this by the consumers themselves.

- **Activity 10: Train the members of ‘Registered Rural Power Society’.**
  - Train the members of the ‘Society’ in skills to manage various aspects of power distribution.
  - Training shall be in the fields of maintaining the records, meter reading, revenue collection, related book keeping and administrative works.
  - Training in ‘customers relation management’ appropriate to the needs of the program.
- **Activity 11: Start the ‘Trial run’**
  - The ‘MOU’ between the ‘Society’ and BESCOM may be so designed as to provide an appropriate period of supervised running by the members of the ‘society’ managing the program.
  - Nexant and other NGOs shall be very actively involved in this phase.
- **Activity 12: Monitor, Review and Refine**
  - The program shall be subjected to close monitoring during the initial period.
  - Lessons learnt in the day-to-day working shall be incorporated for improvement.

- Suitable motivational workshops shall be conducted to overcome the initial blues.
- Install the mechanism for audit, review and continual improvement of the program.

It is now time to hand over the program and management to the members of the ‘Society’ and bid ‘Good Bye’.

In the following pages the ‘pros and cons’ of some of the organization models to manage the rural power distribution have been looked into. The most important factor is that a semblance of professionalism is being attempted to be brought into an existing and probably difficult field. This is in marked contrast to the success of community management elsewhere, where they had the opportunity to start from Square 1.

It would be advisable to consider adopting more than one model, try them out in different places, learn and then put into practice the appropriate model/s on a large scale.

The following matter can be subjected to some sort of brain storming by Nexant and other involved parties, including representatives from departments of RDPR and Energy, and BESCOM. The outcome may then be sent to the RDPR Dept. as a recommendation.

There are many organization models to choose from:

### **1. The Cooperative society:**

By far, this appears to be the most appropriate model.

Advantages:

- Consumer owned and consumer focused.
- Familiar to the rural population.
- All members treated the same.
- Keeps away the ‘political interference’.
- Success models are available in many fields for emulation.
- Time tested and proven.
- Benefits directly available to ‘members’.
- Arguably has the best chance to succeed.

Disadvantages:

- Creation of a new organization from the grass roots.
- Mass mobilization and registration of ‘user-members’.
- Problems / resistance from ‘un authorized’ IP set users.
- Problems / resistance from BJ/KJ consumers.
- Economics of working due to ‘subsidies’.
- For some reason not favored by the Govt. authorities.
- The GPs will have no control role to play.

### **2. Diversification by an existing Cooperative Society**

All the four taluks being considered for the initial trial run have a cooperative society for some specific purpose or other. Milk, Silk, Sugar, Agri Marketing (seeds, fertilizers,

produce), Etc. are some of the successfully working cooperative institutions. There are a large number of 'Credit Cooperatives', some of them very profitably managed.

Advantages:

- An existing and local organization.
- All the members are most probably residents of the region.
- With a little modification to the existing Articles and Bylaws, the Society can start functioning in the new field.
- If the Cooperative is running a sugar mill or a similar industrial enterprise, the required 'technical man power' also could be available.

Disadvantages:

- Already established management group, may not be acceptable to the beneficiaries of this program.
- Diversification may not be acceptable to the existing members.
- May not have the required technical or commercial strength and or willingness.
- Excepting Cooperatives such as those managing a sugar mill, may need to start from scratch. In such a case starting a new and dedicated institution may be a better alternative.

#### **4. By forming an association of common interest groups**

Already existing groups of persons in the areas under this program may be brought together to form a body with this program as their main or one of the important activities. Local area self help groups, NGOs and other similar agencies can be brought together.

Advantages:

- Persons taking the lead are already familiar with the process of collective interactions for community welfare.
- By and large these groups are apolitical.
- Likely to have areas of operational interest matching with the requirement of this program.
- Likelihood of one or more than one committed and visionary group which can be a catalyst.
- Higher probability of acceptance by all concerned.

Disadvantages:

- No program specific skills.
- Have to start from square 1 for this function.
- Possible conflict of interests in control or management of this program.
- May need overseeing and guidance by organizations like Nexant, Core and others for extended periods.
- Commercial viability may pose problems.

#### **5. Hand the program over to a specialized agency**

Outsourcing the functions which are not manageable by the organization is the latest and accepted trend. In this case the GPs may appoint a specialist agency, either in the private

sector or in the public sector to manage all the issues related to managing power scenario in their respective areas. Such an agency may enter into agreement with the BESCOM and the GP concerned for a specified fee / payment. The fact that all the 'hard ware infrastructure' is already in place and functional may make this proposition attractive to entrepreneurs.

Advantages:

- The specialist agency will bring in all the technical and managerial skills and manpower required.
- Lowest gestation periods.
- No demands on the GPs.
- Professional management - Likelihood of higher levels of customer satisfaction.
- Such agencies are likely to be already existing,
- An agency can be formed by local technically experienced and commercially prudent professional groups.

Disadvantages:

- It will never be a community enterprise, which is one of the main aims of this program.
- Problems of unauthorized and excessive connections, the unmetered connections, subsidies etc have to be probably settled before an outside agency may step in.
- The concerned GPs may have to establish some kind of 'technical and commercial' monitoring process to ensure good service. This may place additional burden on the GPs.
- Financial benefits to the GPs may not be large enough to sustain long term interest.
- May become a case of one more agency to deal with for the customers.
- The modus operandi of the tripartite arrangement between BESCOM, the GP and the specialist agency will need to be developed with care. This may consume a lot of time before launch.

This model has been tried with considerable success in the State of Orissa, where the power distribution though out the state has been given to a private sector organization. This model appears to hold promise of commercial prudence since the commune will not be burdened by an organization to be owned and maintained. Moreover, it may be possible to retain the GP as an operative unit since a single agency may be managing a large area.

**1 The need to have a separate organization to manage power distribution:**

There are many issues which recommend establishment of a separate entity to manage the power scene in the rural area.

- The GPs, as of now, are responsible for managing the power limited only to drinking water supply, street lighting and power for civic buildings.
- The GPs do not have any control over and / data on the number of IP sets in their area.
- The related information and statistics are either with the Dept. of Agriculture or BESCOM at the Taluk HQ.
- Further, the existing provisions of the Panchayat Raj Act probably do not permit the GPs to carry out the operation of the management of power purchase, distribution, metering, billing, revenue collection, etc. from all the power consumers.
- Another feature which emerged as a result of interactions with a sample of the elected GP functionaries is their dependence on the Govt. officials such as the Secretary of the GP, or the EO of Taluk Panchayat or the CEO at the district HQ.
- Even more important is the ‘political interference’ factor. The GPs, being elected bodies, are influenced by the political compulsions of the region. Generally the election to the GPs is fought on party basis. Thus the GP will almost always be dominated by the ‘majority party’. This feature has the potential to interfere with the effective functioning of what would be primarily a techno-commercial operation.
- Further more each Gram Panchayat, as a unit, may not have sufficient number of consumers to make the affair of managing the power in the area of one GP an economical proposition.

**Therefore a GP may not be a suitable agency for the purpose of managing the functions of rural power distribution.**

- An immediate alternative would be to consider an area served by one feeder as an operational unit for the purpose of distribution, metering, billing and collection.
- But, the area served by one feeder would invariably include more than one GP area.
- There is also the possibility that the different GPs served by one feeder are under the control of political parties of different ideologies resulting in clash of interests.

**Therefore it is highly recommended that the organizational entity that manages the issue of power in the rural areas should be a separate and independent organization to exclusively manage the technical and commercial aspects of electric power in its given area.**

**The most suitable organizational model which recommends itself is a Co-Operative Society.**

A co-operative organization, established with all the consumers as members, to exclusively manage the interactions with bulk power supplier, manage distribution, minor maintenance, metering of consumption, billing, collection and look after the consumer interest cutting across other socio-political pressures.

## 2 Pre requisites to form a Co-Operative in the rural area

### Area of operation

- The first and the foremost requirement is to determine the area of operation and define the boundary limits.
- As mentioned earlier, having a region served by one feeder as a unit could be an ideal choice. It has the advantage of commonality in power supply characteristics for a fairly large but manageable area.
- It would be under the purview of a single office of BESCOM. The size, generally comprising of two or more 'GP areas' would be well suited to try out the model.
- Smaller areas such as a single GP may not be economically viable. On the other hand, a larger area such as an entire taluk may become operationally unwieldy.
- The extent of area being served by each Co-Operative may be reviewed at a later date.

### The Power Consumers' Co-Operative Society

- Once the decision is taken on the area of operation for each commune, the next step is to commence the activity of founding a Registered Co-Operative Society.

Fortunately there is guidance available in the form of the Hukeri co-Operative Society.

- All the power consumers of the area proposed to be served by the Co-Operative should become members / shareholders of this venture.
- The membership fee should be such that every consumer becomes a member.
- Each consumer should be eligible for one membership only. Multiple membership, such as one as a consumer for IP set, second as a consumer of domestic power, and yet again as a consumer of commercial power etc. should be strictly prevented.
- This will ensure that all the consumer - members are treated as equals in all the issues concerning the management of the Co-Operative Society.
- The GPs coming under this area may similarly be treated as one consumer, with the President or any other GP nominated member being a representative on behalf of the GP.
- Other formalities of founding a Co-Operative Society may be gone through in the true spirit of co-operative movement. It may be desirable that there shall be no 'ex-officio' members or office bearers.
- Orientation and facilitation in founding a truly commune owned co-operative society is an issue which should be looked into. It should be remembered that many of similar institutions have been at the initiatives of small groups of individuals, opinion leaders of the community.
- **The concept of common ownership should be inculcated right from inception.**

In view of the foregoing, it will be necessary to decide on the following issues:

- That a Co-Operative Society with all the power consumers as equal members is preferred.
- The area of service for each of the Co-Operative Society shall be as dictated by one power feeder. It will generally include two or more GP areas.
- The Co-Operative Society shall be a dedicated organization formed to exclusively manage the power scenario within its defined boundary limits. The GPs coming within this area shall each be treated as one consumer.
- Once the Co-Operative Society becomes operational, only this organization shall deal with the bulk power supplier, BESCO in this case, for all matters concerning electricity. The current practice of revenue payments by the GPs or the practice of the amounts due from GPs being 'attached / adjusted at the ZP level from grants and aids shall be discontinued.
- The Co-Operative Society shall concern itself only with the technical and commercial aspects of buying power in bulk, manage distribution to all the consumer-members using the existing distribution network (established by BESCO), carry out the function of meter reading and / or otherwise raise bills (as per existing guidelines till now being followed by BESCO), collection of revenue, carry out minor maintenance activities (to be decided by the competency of 'technical personnel' to be employed), and be the customer relations bridge between Consumers and BESCO (in dealing with technical issues which are beyond the capability of the Co – Operative Society).

### **A Quality Manual for the Co-Operative Society**

- The Co-Operative Society formed shall have two distinct areas of operation:
  - Managing the 'technical' aspects of power distribution,
  - Managing the commercial and administrative aspects with the aim of providing optimum service to its customers. This will also include the issues related to managing the manpower and other assets.
- Thus there can be three distinct documents to be prepared for the efficient and effective functioning of the Co-Operative Society.
  - The document required for the formation of the Co-Operative Society: The Articles of Association and By-Laws. As mentioned earlier, the document of Hukeri Co-Op. can be the model for this.
  - Second document / manual required will be to define and document the administrative and commercial functions of the Co-Operative Society. In our opinion even for this references can be taken from the Hukeri Co-Op. which has nearly three decades of operational experience. It would be advisable to arrange a study tour to the Hukeri Co-Op. to gather the required information and guidance materials.
    - The commercial aspects to be addressed would include, inter-alia, issues of power purchase from BESCO, management of moneys collected from consumer – members and pay roll management.
    - The administrative aspects to be defined and documented shall include, among others, the day-to-day running of the Society, management of the man power to be deployed (the HR policies, Etc.), asset management, and related MIS.



- The third document / manual shall devote itself entirely to the issues of managing the Technical functions of the Society.
  - First aspect to be addressed could include a list and related guidelines of all the technical functions the Society shall carry out. This could cover the technical aspects of managing power distribution, meter reading, monitoring the technical health of the power distribution network, minor maintenance works, and related MIS.
  - Secondly, the document should preferably document the educational qualification, experience and skill level requirements of the various personnel to be employed by the Society. This would ensure that only competent personnel are managing their respective functions.
  - Third aspect which may be included in this manual could be the issues of data acquisition and management. As mentioned elsewhere, there is no single agency having access to or maintaining a data bank of the various categories of power consumers in a given GP area. The new Co-Operative Society would be an ideal agency for this purpose.
  - Another issue, in our opinion, the most important issue, which has suffered neglect due to logistics and other reasons, is the issue of 'Customer Satisfaction'. The Society shall have 'Customer Satisfaction' as one of its primary objectives. The manual shall contain guidelines to ensure the efficient management of this vital factor.

Reference and guidance for this manual can be obtained from the good offices of BESCO, The Hukeri Co-Op. and the ISO 9000 standards. This work can be taken up simultaneously with the activities of forming the Co-Operative Societies.

- It is intended to appropriately utilize the guidance available in the International Standards for QMS, the ISO 9000:2000 and ISO 9004:2000. Incorporation of world class Quality Management principles and standards in this venture right from the beginning would ensure that this laudable activity commences and continues to function with the support of internationally accepted quality management principles.
- Secondly this approach would be beneficial in monitoring the organization by way of Management Audits.
- Thirdly, the interests of all the stake holders will be systematically addressed to and taken care of.
- Fourth aspect is the inbuilt provision of the ISO 9000 standards for continual improvement. Appropriate levels of documentation will facilitate this important issue.
- Lastly, but not the least in order of importance, is that this approach would assist in bringing in transparency in functioning, and be excellent material for training new personnel.

It is true that but for the Hukeri example, there is not much to show in this field in Karnataka. But it cannot be brushed aside only for this lone reason. The Co-Operative Movement has been a resounding success in the fields of milk, and sugar. There is no doubt that, managed well, why this can not be a success in this case also. A Co-Operative venture transcends most of the man made barriers and will truly usher in empowerment and prosperity.

It is recommended that a team of Nexant Consultants may be deputed to conduct a study tour of some of these organizations in Orissa. This should result in a report which can be considered for implementation in Karnataka on a selective basis.

In fact both the outlined methods can be given a trial run. This calls for certain guidelines to be fixed as to where one can try out the Co-Operative method and where the 'out sourcing' mode.

Either way development of an appropriate management manual, on the basis of QMS principles and directives of ISO 9000 and ISO 9004:2000 will be required to ensure that the things are managed efficiently and the interests of all the stake holders are taken care of.

- It is clear that the GPs do not have any control over the production and/or on distribution of electricity in the rural areas. So is the issue of ground water also.
- These two major items, having a major impact on the Water-Power nexus, have been traditionally managed by different agencies / departments.
- The GPs have been, by and large, at the receiving end, without any say in the matter.
- The issues of ‘misappropriation’ of power by the BJ/KJ and the IP set users; the more serious issues of ‘un-authorized connections’ and non payment of dues, which have been overlooked, are beyond the capability of GPs to set right.
- As of now, some semblance of manageability can be brought into the electric power distribution in rural areas. Ground water exploitation and the related issue of power to IP sets are issues which need to be addressed by the Govt. policy makers in depth.
- One of the various models of organizations mentioned in the Part III of the report may be adopted to manage power distribution issues and commence the activities of a data bank on the ground water exploitation issues.